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Agricultural and Business Conditions

TENTH FEDERAL RESERVE DISTRICT

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TECHNICAL PROGRESS AND AGRICULTURE

Few people would argue that progress is undesirable. Production can be increased by using better methods for producing goods. In many cases, products of a better quality can be produced or the same product can be produced at a lower cost. By producing more and better goods at a lower cost, levels of living can be increased, and this is one of the objectives of economic activity. All of these are advantages to be gained by using new methods which enable land, labor, and equipment to be used most effectively in the production of goods.

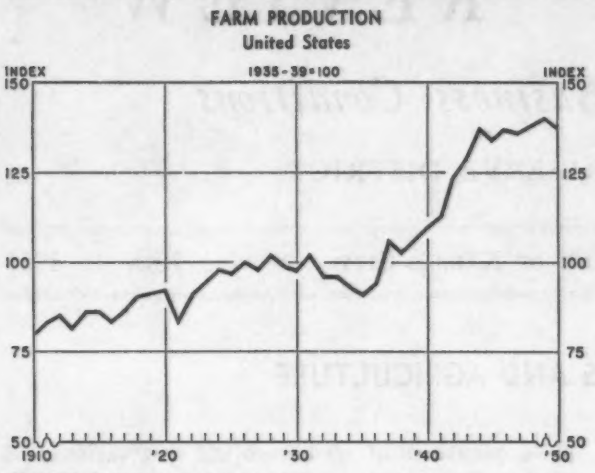
Yet, many of the problems of agriculture during the past forty years have been intensified by technological advancement. The declining number of people engaged in agriculture, widespread underemployment in large sectors of the farming industry, instability of prices in agriculture, wide variations in living standards, and variations in the efficiency with which different farmers produce agricultural products are striking features of the agricultural industry. Many of these problems have been intensified by the lag in adjusting resources to their new environment as better methods of producing products have been discovered.

Any new discovery that increases productivity tends to create change. Such changes frequently are not easy to make and they usually do not occur rapidly. When a new discovery is made, different individuals either cannot, or do not, respond simultaneously or in the same way. In some instances, individuals may not know about a particular discovery or improvement until they have been adversely affected by the advancement. In other instances, they may know about the discovery but are unwilling or unable to incorporate it into their plans. If, for example, farmers generally know about a new variety of crop or the application of a particular type of fertilizer, but not enough of the seed or fertilizer is available for all farmers, it becomes impossible for everyone to use the best methods. Several years may be required before adequate quantities of seed from the new varieties of crops or the new kinds of fertilizer are available. In some cases, the use of newly discovered machines necessitates that a farmer expand his acreage before the new machinery can be used effectively. Yet, all farmers cannot expand the acreage in their farms simultaneously, since land areas in most agricultural communities are relatively fixed. Thus, pressures are created which tend to force some individuals out of the farming business. Any discovery that is made tends to create problems of the type discussed, resulting in a movement away from the status quo. In agriculture, farmers who incorporate the more efficient methods increase their level of living. Those who do not, or cannot, incorporate them either are forced out of agriculture or their levels of living are reduced.

Although technical progress creates problems, it is the best known method of increasing the level of living today. It enables man to use his labor more effectively, thereby increasing his production of goods, and making available larger quantities of products to be consumed. Thus, any discovery that increases productivity per unit of manpower is desirable from an economic viewpoint if it does not waste resources.

The effects of technical progress can be measured by productivity in relation to the amount of resources used. Measuring productivity also makes it possible to trace the effects of economic events that have occurred in the past. In the following sections, some of the phenomena that are affected by technical progress in agriculture will be discussed, with the intention of providing information that will help clarify thinking on some of the problems confronting agriculture.

Agricultural Production The United States Department of Agriculture computes an annual index of farm production for the United States. This index has been computed from 1910 up to the present time. Careful study of the annual in-



SOURCE: U. S. Department of Agriculture.

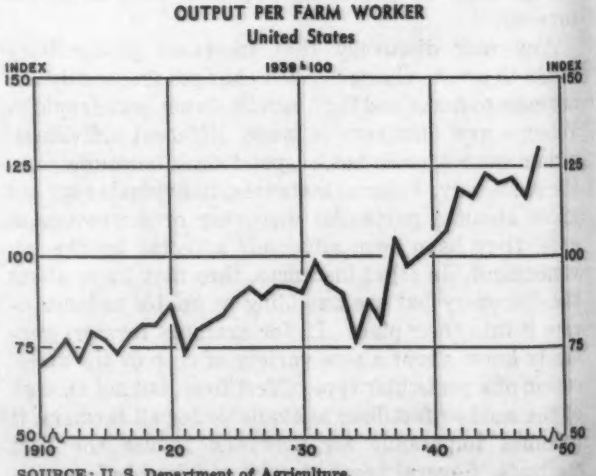
dexes reveals a rather steady rate of increase in farm production. For the United States, farm production has increased by an average of about 1½ per cent annually since 1910. Farm production has varied by 5 per cent or more from the preceding year in only six years during the past forty-one year period. The largest year to year change during this period occurred in 1937 when the index was 12 points higher than it was in 1936.

To measure the effect of technological progress on farm production, output per farm worker provides a better index than does total farm production. Output per farm worker has increased by approximately 2 per cent per year since 1910. Although output per farm worker has fluctuated somewhat more than total farm production, it also has increased at a rather stable rate the last forty years. In only six years during the period from 1910 through 1948 did output per worker vary by 10 per cent or more from the preceding year. The use of improved equipment, better varieties, and other improved techniques of production has enabled output per worker to increase. This increased output per worker has resulted in increased incomes and higher levels of living for people engaged in agriculture. However, as output per worker increased, it has become necessary to find additional markets for the products produced, to produce products of higher value, or to reduce the number of individuals engaged in agricultural activity, in order to prevent severe declines in individual incomes of farm people.

Historically, all of these methods have been active in bringing about adjustments that were made necessary by technical advancement. Market outlets for agricultural products have been expanded greatly by an increasing population, increasing per capita incomes, and by devising new methods for utilizing agricultural products. In the United States, individuals have been consuming larger quantities of the protective foods such as livestock, livestock products, fruits, and vegetables. Producing these products requires more man labor per calorie of energy than does the production of commodities that were formerly consumed in large quantities, such as potatoes and cereals. Increased consumption of the higher priced protective foods has been made possible by increased productivity per individual, which results in higher per capita incomes. The number of individuals gainfully employed in agriculture in the United States has declined since 1910, even though total population has increased substantially since that time.

All of the factors just discussed have been influenced by technical progress. An increasing level of living for an increasing population can be accomplished only by increasing per capita productivity. To increase per capita productivity, better methods of using resources must be discovered. However, as new methods of using resources are discovered the status quo is disturbed and frequently crises develop. The adjustments that are necessary for most effectively adapting the new discoveries cannot be made without considerable disturbance in the economy.

Employment in Agriculture The number of individuals gainfully employed in agriculture has declined 15 per cent since 1910, even though total agricultural production increased approximately 70 per cent and total population by about 63 per cent. Increased agricultural production by a declining number of workers during the past forty years depicts the influence that technological progress has had in agriculture. Rather severe adjustment problems have existed, since the rural birth rate in America has been high while fewer individuals

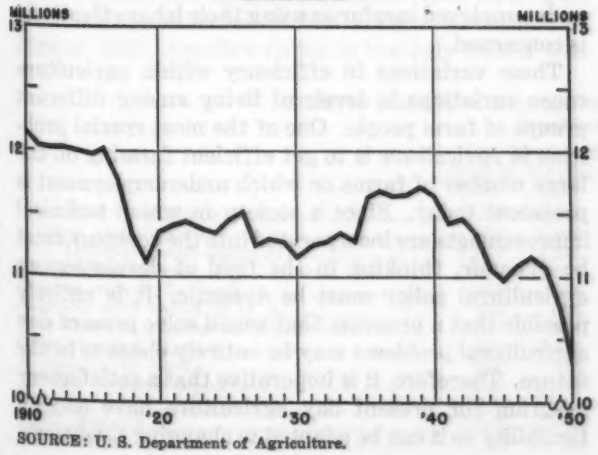


SOURCE: U. S. Department of Agriculture.

have been needed for producing agricultural products. This has resulted in placing pressure on rural people to move from farms to cities. Since population shifts cannot be made without considerable effort, the tendency has been for more people to remain on farms than were actually needed if the best known techniques of production had been used. Thus, the problem of underemployment in agriculture has been prevalent throughout large areas of American agriculture during recent years.

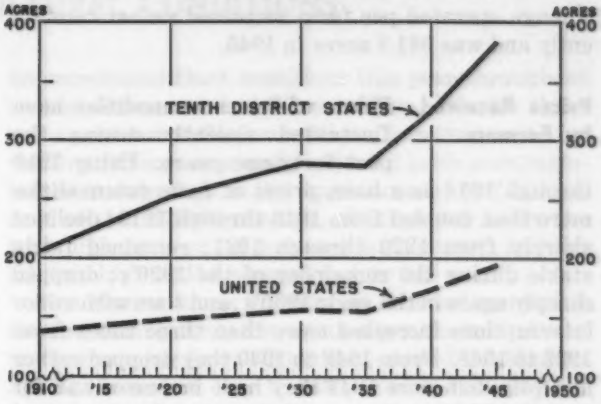
The existence of a surplus of workers in agriculture much of the time during the last forty years has retarded the use of more efficient methods of production in agriculture and aggravated many of the problems confronting farm people. During the World War I period, when nonfarm employment opportunities were good, farm employment was reduced by approximately 900,000 workers. From 1919 to 1934, farm employment was rather stable, varying between 11 million and 11.5 million workers. During the latter part of the 1930's the number of people employed in agriculture increased because of lack of opportunity to find satisfactory employment in cities. Farm labor was cheap and farmers did not make an intensive effort to introduce labor saving methods of production. Advent of World War II again created abundant opportunities for off-farm employment, and labor was difficult to acquire and expensive. These developments encouraged farmers to adapt techniques that tended to increase output per farm worker and resulted in a decrease of approximately 1,320,000 farm workers from 1940 to 1950. Even though the number of farm workers decreased approximately 11 per cent from 1940 to 1950, agricultural production increased by 25 per cent during the same period. This increased output per man during the past eleven years can be attributed largely to the introduction of improved

FARM EMPLOYMENT
United States



SOURCE: U. S. Department of Agriculture.

AVERAGE SIZE OF FARM
As Measured by Total Acreage



SOURCE: U. S. Bureau of the Census.

techniques of production which were encouraged by favorable agricultural prices and abundant opportunities for surplus farm people to obtain off-farm employment. From an economic viewpoint, adjustments of this type need to be encouraged, since they result in higher levels of living for farm people and help to alleviate many of the problems that confront agriculture.

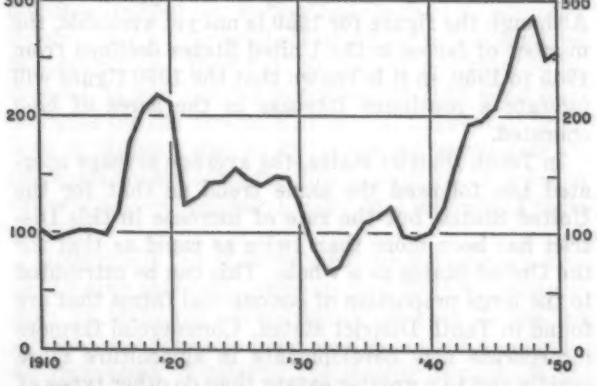
Size of Farm A decreasing number of farm workers combined with an increasing acreage of land in farms has resulted in an increase in the average size of farm in the United States. The use of improved equipment and better organization of the farm business have permitted individual farmers to operate a larger acreage of land. Improved techniques of production have also made it possible to increase production per acre. Consequently, production per farm has increased significantly during the past forty-one years. In 1910, the average acreage operated per farm in the United States was 138.1 acres. The average acreage operated per farm has increased rather steadily up to the present time. Although the figure for 1950 is not yet available, the number of farms in the United States declined from 1945 to 1950, so it is known that the 1950 figure will indicate a continued increase in the acres of land operated.

In Tenth District states, the average acreage operated has followed the same trend as that for the United States, but the rate of increase in this District has been more than twice as rapid as that for the United States as a whole. This can be attributed to the large proportion of commercial farms that are found in Tenth District states. Commercial farmers incorporate new developments in agriculture more rapidly and to a greater extent than do other types of

farmers. In 1910, the average acreage operated in Tenth District states was 206 acres. The average acreage operated per farm increased rather consistently and was 381.8 acres in 1945.

Prices Received by Farmers Prices of farm commodities have fluctuated violently during the past forty-one years. Using 1910 through 1914 as a base, prices of farm commodities more than doubled from 1915 through 1919; declined sharply from 1920 through 1921; remained fairly stable during the remainder of the 1920's; dropped sharply again in the early 1930's; and then with minor interruptions increased more than three times from 1932 to 1948. From 1948 to 1949 they dropped rather abruptly, but since 1949 they have increased and for 1951 are likely to be near the average level attained during 1948. These violent price fluctuations can be attributed to many factors, the most important of which probably is variation in disposable personal income. However, technological advancement has had a significant influence on the level of agricultural prices. The development of more efficient methods of production and the substitution of oil power for animal power caused excess supplies to be larger than they otherwise would have been during the 1930's. Thus, farm prices probably dropped to lower levels than would have otherwise occurred during this period. On the other hand, since 1940, farm price advances in all probability have been retarded by the increased production which was made possible because of these changes. Even though the tendency is for technical improvements in agriculture to reduce farm prices, farmers who incorporate these improvements into their production plans gain, since they usually can produce a larger quantity of product or a better quality product at a lower cost. This factor is particularly significant since, insofar as technical improvements cause prices to decline, any price policy based on an historical period tends to be obsolete to the extent that technical improvements have been made since the base period was established. In spite of this, price supports for wheat, cotton, and feed grains continue to be based upon the 1910-14 base period, even though the methods of production used during this period cannot be compared with present day methods. As a consequence, the parity price relationships among the various agricultural commodities are not in proper balance. Some commodities are overpriced under the parity concept while others are underpriced.

PRICES RECEIVED BY FARMERS
United States



SOURCE: U. S. Department of Agriculture.

Efficiency in Agriculture Farm operating units can be classified roughly into two major categories—those that use their labor and management efficiently and those that use them inefficiently. The inefficient farms usually do not have proper amounts of equipment and land to combine with the available labor. In some instances farms are overequipped, resulting in inefficient production, but most inefficient farms do not have enough equipment and land to use labor most efficiently. Individuals on these farms may work hard and put in long hours, but their productivity is low because they do not have proper equipment and adequate land to use their labor effectively. Most farmers in this group do not have enough assets to acquire the equipment and land necessary for efficiently producing agricultural products. Some farms are inefficient because the operators have not become familiar with the most efficient methods for producing the various agricultural products. Improvements in agriculture have been made rather rapidly, and large numbers of farmers have been unable to keep informed on the best methods to use in producing agricultural products. These are some of the reasons why many farmers are underemployed insofar as using their labor effectively is concerned.

These variations in efficiency within agriculture cause variations in levels of living among different groups of farm people. One of the most crucial problems in agriculture is to get efficient farming on the large number of farms on which underemployment is prevalent today. Since a society in which technical improvements are incorporated into the economy must be dynamic, thinking in the field of developing an agricultural policy must be dynamic. It is entirely possible that a program that would solve present day agricultural problems may be entirely obsolete in the future. Therefore, it is imperative that a satisfactory program for present day agriculture have enough flexibility so it can be adapted to changing conditions.

BUSINESS AND AGRICULTURAL CONDITIONS

MEMBER BANK CREDIT

Loan volume of Tenth District member banks declined in the four-week period ended June 27 for the second consecutive month. The decrease amounted to 8 million dollars, as loans in the reserve city banks decreased by 12 million and country bank loans increased by 4 million. Holdings of United States Government securities showed little net change during the month. An increase of 4 million dollars for all District member banks represented an expansion of 21 million in reserve city bank portfolios and a decrease of 17 million among country banks. However, refinancing by the United States Treasury was reflected in a large increase in certificates of indebtedness and sizable decreases in notes and bonds, as the Treasury offered 9½ month 1⅞ per cent certificates of indebtedness in exchange for the 2¾ per cent bonds of 1951-54 and three issues of notes maturing July 1.

The larger changes in deposit volume among District member banks occurred at the country banks, with demand deposits declining by 24 million dollars. On the other hand, time deposits in those banks increased by 4 million. Reserve city bank deposits expanded by 16 million, as demand deposits increased by 13 million dollars and time deposits by 3 million.

DEPARTMENT STORE TRADE

The dollar volume of sales at reporting department stores in the Tenth District in June was unchanged from a year earlier, and sales in the first three weeks of July were about 23 per cent below the record level of a year ago, when war-scare buying of consumer durable goods and many other items was at its height, following the outbreak of hostilities in Korea late in June of 1950. Another factor in the July decline was unprecedented flood conditions this year throughout central Kansas and at Kansas City. Despite these rather extensive flood conditions, however, sales for the District on a seasonally adjusted basis were maintained in July close to the April-June level of 316 per cent of the 1935-39 average, although far below the very high level of 395 per cent last January and the all-time high of 414 per cent in July last year.

Department store inventories declined somewhat further during June, the seasonally adjusted index of stocks dropping from 372 per cent of the 1935-39 average at the end of May to 362 per cent at the end of June as compared with the record level of 380 per cent last April. Even so, stocks of merchandise on hand on June 30 still were 26 per cent larger in value than a year earlier, and the volume of orders outstanding was 17 per cent larger.

DEPARTMENT STORE SALES AND STOCKS

	Sales		Stocks
	June 1951 comp. to June 1950	6 Mos. 1951 comp. to 6 Mos. 1950	June 30, 1951 comp. to June 30, 1950
	(Per cent increase or decrease)		
Denver	−2	+9	+22
Pueblo	+4	+10	+31
Hutchinson	+1	+9	+21
Topeka	−1	+15	+13
Wichita	+11	+23	+33
Joplin	+1	+14	+13
Kansas City	0	+10	+28
St. Joseph	+6	+9	*
Omaha	+6	+11	+71
Oklahoma City	−2	+2	+20
Tulsa	−7	+8	*
Other cities	−4	+9	+13
District	0	+10	+26

*Not shown separately but included in District total.

EMPLOYMENT

A year after the outbreak of the Korean War there are noticeable changes in the nation's employment

SELECTED ITEMS OF CONDITION OF TENTH DISTRICT MEMBER BANKS
(In millions of dollars)

	All Member Banks			Reserve City Banks			Country Banks		
	June 27 1951	May 30 1951	June 30 1950	June 27 1951	May 30 1951	June 30 1950	June 27 1951	May 30 1951	June 30 1950
Loans and investments	4,636	4,643	4,506	2,580	2,574	2,469	2,056	2,069	2,027
Loans and discounts	1,952	1,960	1,590	1,160	1,172	900	792	788	688
U. S. Government obligations	2,217	2,213	2,473	1,170	1,149	1,329	1,047	1,064	1,143
Other securities	467	470	443	250	253	240	217	217	196
Reserve with F. R. Bank	850	856	784	528	532	495	322	324	288
Balances with banks in U. S.	560	566	621	244	243	252	316	323	338
Cash items in process of collection	276	276	282	257	257	255	19	19	19
Gross demand deposits	5,269	5,280	5,210	3,027	3,014	2,934	2,242	2,266	2,225
Deposits of banks	787	780	838	731	723	775	56	57	60
Other demand deposits	4,482	4,500	4,372	2,296	2,291	2,159	2,186	2,209	2,165
Time deposits	725	718	691	390	387	369	335	331	322
Total deposits	5,994	5,998	5,902	3,417	3,401	3,303	2,577	2,597	2,547
Borrowings	19	36	1	15	30	0	4	6	1

pattern. While total civilian employment in June, 1951, merely approximated the level of a year earlier, unemployment has been reduced to a near minimum, as unemployed persons and the normal increase in the labor force have been absorbed by expansion of the military services. Although agricultural employment showed a nearly normal seasonal rise between May and June, it stood about 1 million under the level of a year ago. The most significant rise in employment has occurred in manufacturing, and the recent level of manufacturing employment has been exceeded only during World War II. The figures for May show a national gain in manufacturing employment of 10 per cent from May, 1950, and a corresponding increase for the seven District states of 13 per cent.

BANK DEBITS

	June 1951	6 Mos. 1951	Change from '50 June	Change from '50 6 Mos.
	(Thousand dollars)		(Per cent)	
COLORADO				
Colo. Springs	56,656	333,860	+28	+38
Denver*	722,534	4,381,647	+18	+27
Gr. Junction	16,656	104,906	+12	+24
Greeley	24,313	164,768	+15	+29
Pueblo*	57,330	319,242	+27	+32
KANSAS				
Atchison	10,033	65,821	+4	+21
Emporia	9,970	76,824	−1	+25
Hutchinson	36,439	244,275	+12	+14
Independence	8,260	48,306	+14	+16
Kansas City	96,891	536,948	+26	+31
Lawrence	14,797	75,690	+34	+23
Manhattan**	10,463	66,948	—	—
Parsons	8,661	51,969	+12	+18
Pittsburg	13,259	78,751	+8	+16
Salina	29,918	224,065	+2	+23
Topeka	106,226	631,447	+6	+17
Wichita	291,545	1,776,973	+19	+28
MISSOURI				
Independence**	13,144	75,846	—	—
Joplin	31,159	182,215	+12	+17
Kansas City	1,158,632	7,478,622	+3	+23
St. Joseph	96,942	676,180	−4	+23
NEBRASKA				
Fremont	20,814	124,433	+4	+19
Grand Island	28,983	173,678	+20	+28
Hastings	15,615	96,081	+16	+29
Lincoln*	95,065	568,355	+15	+19
Omaha	604,918	3,847,848	+11	+35
NEW MEXICO				
Albuquerque*	120,450	746,331	−3	+15
Santa Fe**	38,559	203,122	—	—
OKLAHOMA				
Bartlesville	182,247	1,024,070	+36	+35
Enid	35,950	215,567	−7	+3
Guthrie	4,196	29,311	−3	+15
Lawton**	18,362	107,845	—	—
Muskogee	27,540	166,361	+9	+13
Norman**	8,013	51,264	—	—
Okla. City*	381,934	2,381,038	+3	+13
Okmulgee	7,045	43,646	−3	+7
Ponca City	20,547	123,029	0	+11
Tulsa	637,418	3,611,448	+21	+26
WYOMING				
Casper	39,981	218,607	+28	+31
Cheyenne	35,559	223,770	+20	+28
District, 40 cities*	5,137,024	31,551,107	+12	+25
U. S., 342 cities	135,027,000	790,679,000	+13	+21

*Dollar figures include one or more additional reporting banks, beginning January, 1951; however, percentage changes shown are computed from comparable data for both 1951 and 1950.

**New reporting center, beginning January, 1951.

The expansion in industrial activity over the past year has been accompanied by a tightening of the labor supply. Shortages of various types of skilled labor are prevalent in most communities, and several report that the lack of qualified workers appears to be the main barrier to a new record level of employment. Employment dislocations owing to the increasing shift to defense production have not been as great as anticipated in most parts of the District. Recent nationwide cutbacks and layoffs in certain consumer durable goods industries have been of only slight significance in District cities, with shortages of skilled labor in aircraft factories and reactivated defense plants and other military facilities causing more widespread concern.

Through June, the majority of Tenth District communities reported that the flow of regular business, industry, and agriculture has been responsible for the prosperous conditions, although this is admittedly influenced indirectly by military developments. Certain District cities, including Denver, Kansas City, and Wichita, have been experiencing record employment levels and anticipate a continuing rise in the volume of employment. This is expected to be effected through the reactivation of war plants and other military facilities and accompanying additions to the local labor forces through the employment of women and the drawing of workers from rural communities.

CROP CONDITIONS

The general crop report issued by the Department of Agriculture indicates that crop conditions as of July 1 for the United States were among the most favorable the country has known. Farmers planted crops on the largest aggregate acreage since 1933, and yield prospects were reported as being about as favorable as the best in recent years. With favorable weather, total crop production, based upon July 1 forecasts, could exceed that of any year of record except 1948.

Based on conditions prevailing July 1, the indicated production of winter wheat was 707 million bushels, while spring wheat production was reported as 363 million bushels. Total wheat production for 1951 was

TOTAL WHEAT PRODUCTION

	Indicated July 1, 1951	Final 1950	Average 1940-49
	(In thousands of bushels)		
Colorado	37,648	39,924	35,995
Kansas	147,854	178,060	193,446
Missouri	26,730	24,516	22,658
Nebraska	73,536	84,788	63,652
New Mexico	1,181	955	4,176
Oklahoma	40,394	43,614	73,998
Wyoming	7,460	7,218	4,976
Seven states	334,803	379,075	398,901
United States	1,070,132	1,026,755	1,071,310

estimated at 1,070 million bushels, which is virtually equal to the 1940-49 average production of 1,071 million bushels. Although wheat production prospects for the United States as a whole were favorable, production prospects for Tenth District states declined during June because of excessive rainfall during the critical harvesting period in Kansas, Missouri, and parts of Nebraska and Oklahoma. Furthermore, heavy rains and floods in these areas have caused extensive additional damage since July 1. However, it is doubtful whether losses in these states have been severe enough to bring total production for the United States below a billion bushels.

The nation's 1951 corn crop was estimated at 3.3 billion bushels. This compares with last year's production of 3.1 billion bushels and the 1940-49 average of 3.0 billion bushels. Indicated production for Tenth District states is less than last year's production. Delayed planting and cultivation because of excessive rain and floods have reduced prospects for a large corn crop in many areas of the Tenth District. However, prospects for an excellent crop in the eastern part of the Corn Belt are extremely favorable.

TOTAL CORN PRODUCTION

	Indicated July 1, 1951	Final 1950	Average 1940-49
	(In thousands of bushels)		
Colorado	13,948	14,496	15,145
Kansas	63,986	93,188	68,239
Missouri	168,000	187,110	142,318
Nebraska	224,719	250,675	210,496
New Mexico	1,332	1,414	2,378
Oklahoma	31,356	31,725	28,461
Wyoming	976	1,156	1,373
Seven states	504,317	579,764	468,410
United States	3,295,143	3,131,009	2,980,777

Oat and barley production will be less than last year, since the fall planted crops suffered winter damage and seeding of much of the spring crop was delayed. Furthermore, these crops currently are suffering from too much moisture during the critical harvesting period. A large abandonment of winter wheat and difficulty in planting other spring crops have resulted in sorghum plantings only 4 per cent less than the large acreage planted last year. Even though weather conditions have made it necessary to replant much of the crop and it has been difficult to control weed growth, soil moisture supplies are adequate and the Department of Agriculture expects a sorghum crop that will approach last year's record production. With normal weather through the remaining portion of the growing period, the supply of feed grains should be adequate to provide the quantities needed for the large numbers of livestock on United States farms.

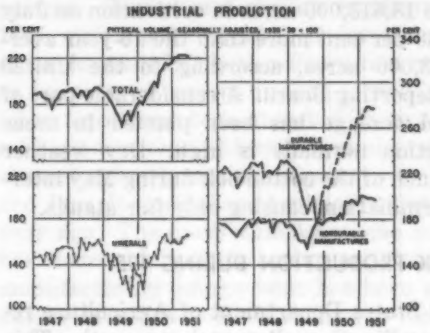
Farmers in the United States had 29,510,000 acres of cotton in cultivation on July 1. This is 58 per cent more than the 18,613,000 acres in cultivation on July 1, 1950, and 33 per cent more than the 10-year average of 22,163,000 acres, according to the United States Crop Reporting Board. A considerable part of this increased acreage has been planted in areas where production normally is high. Dry weather throughout much of the cotton belt during May interfered with germination, causing only fair stands.

PORK PRODUCTION DURING 1951

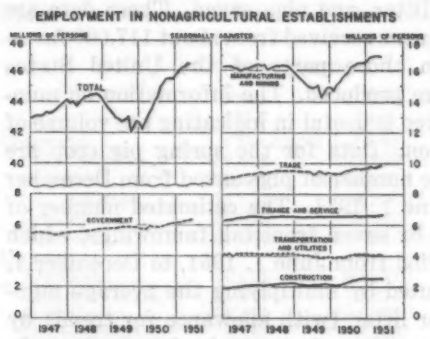
The United States Department of Agriculture released its June Pig Crop Report last month. This report provides data on the number of sows farrowing, pigs per litter, and pigs saved. These data are based upon returns received from about 117,000 farmers located in those parts of the United States where hogs are produced. The information on number of pigs saved is useful in indicating the volume of pork production. Data for the spring pig crop are based upon the number of pigs saved from December 1, 1950, to June 1, 1951. The estimated number of pigs that will be saved from fall farrowings, which covers the period from June 1, 1951, to December 1, 1951, is computed by multiplying the average number of pigs per litter (with allowance for trend) by the estimated number of sows to be farrowed, as obtained from breeding intentions reports.

The report states that the 1951 spring pig crop totaled 63,818,000 head, which was an increase of 7 per cent over a year earlier. The number of sows farrowing this spring was 4 per cent larger than last year, while the number of pigs saved per litter was 2 per cent larger. The number of sows to farrow this fall again is expected to be 4 per cent larger than the number farrowing last fall. The combined spring and fall pig crops for 1951 are expected to total about 106 million head, which would be the second largest pig crop on record, being exceeded only by the number of pigs saved during 1943.

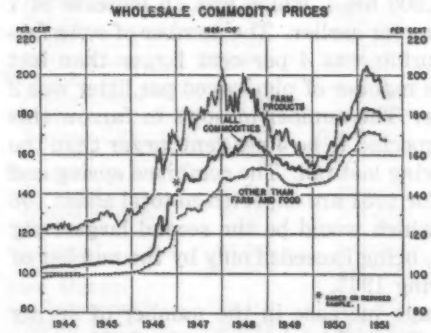
The percentage increase in the number of spring pigs saved for Tenth District states for 1951 generally was larger than the United States average. Using 1951 as a percentage of 1950, the figures for Tenth District states were as follows: Colorado, 102; Kansas, 117; Missouri, 114; Nebraska, 113; New Mexico, 109; Oklahoma, 109; and Wyoming, 120. For the United States the figure was 107. The Pig Crop Report does not list by states the estimated number of fall pigs that are expected to be saved but, on the basis of the number of sows that are expected to farrow fall pigs, Tenth District states show a larger increase for 1951 over 1950 than the United States average. Thus, it appears that pork production in District states will show a larger increase during 1951 than in the United States as a whole.



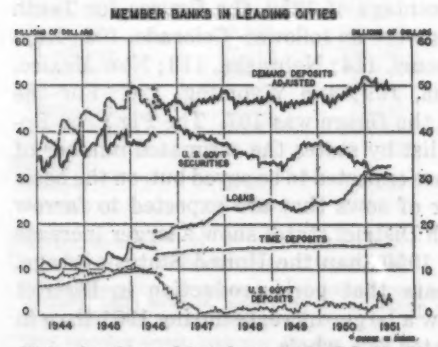
Federal Reserve index. Monthly figures, latest shown are for June, 1951.



Bureau of Labor Statistics' data adjusted for seasonal variation by Federal Reserve. Proprietors and domestic servants are not included. Midmonth figures, latest shown are for June, 1951.



Bureau of Labor Statistics' indexes. Weekly figures, latest shown are for week ending July 24, 1951.



Wednesday figures, latest shown are for July 18, 1951.

NATIONAL SUMMARY OF BUSINESS CONDITIONS

By the Board of Governors of the Federal Reserve System

Industrial production in June was at about the same level as during the first five months of this year, but a somewhat more than seasonal decline is indicated in July. Prices of raw materials have decreased further in the first three weeks of July, owing in part to prospects of near record crops. Consumer buying of automobiles and department store goods has been maintained, however, for this season of the year. The rate of Federal defense expenditures has continued to rise considerably.

Industrial Production

The Board's index of output at factories and mines in June was 222 per cent of the 1935-39 average and 12 per cent greater than a year ago. Preliminary indications are that the index may decline to around 215 in July owing mainly to vacation shutdowns in nondurable goods industries, which are not currently allowed for in the index, and a further restricted volume of auto assemblies.

Total durable goods output was maintained in June as further increases in industrial and military equipment offset additional curtailments in output of furniture and other household goods. Although increasing only moderately in recent months, machinery output has risen more than 25 per cent in the past year. Output of aircraft and ordnance has practically doubled since last June. Reflecting capacity limitations, production of basic metals has changed little in recent months.

A slight decline in nondurable goods production reflected largely a further easing in demand for textile and paper products. By June, output of these and some other nondurable goods was only moderately below earlier peak rates but larger than seasonal declines are indicated in July.

Output at mines was at a record level in June, reflecting an increase in coal in anticipation of the vacation period for miners in July, and a slight further expansion in crude petroleum.

Construction

Construction contract awards, which rose to an unprecedented total in May as a result chiefly of almost 1 billion dollars of publicly-financed Atomic Energy awards, declined in June to about the April total. Private awards also fell off following a marked rise in May. Private housing starts in June remained substantially below last year's high level but, because of an exceptionally large volume of publicly-financed units started, the total was only moderately below a year ago.

Employment

Employment in nonagricultural establishments in June, after adjustment for seasonal variation, was maintained at the record May level. The workweek in manufacturing industries continued to average close to 41 hours; average hourly earnings advanced further by about 2 cents to $1.60 per hour. Unemployment this June was at the lowest level for any June since 1945.

Agriculture

Crop production, based on July 1 conditions, was officially forecast to be close to the 1948 record and 7 per cent above last year. Cotton acreage was indicated to be three fifths greater, and somewhat larger hay and grain crops were forecast. Milk and egg production in June was at last year's level. Marketings of meat animals, however, in June and the first three weeks of July have fallen about 5 per cent below year-ago levels.

Distribution

The seasonally adjusted total value of retail sales has continued to show little change from the reduced level reached in April. Durable goods sales were somewhat lower in June owing largely to a further decline in sales of building materials and hardware. Department store sales showed somewhat less than the usual seasonal decline from June to the first three weeks in July. Value of department store stocks declined moderately further in June, but was still about 30 per cent above a year ago.

Commodity Prices

The general level of wholesale commodity prices has declined since mid-June to a level about 3 per cent below the high reached in mid-March. As during earlier months, the recent decline has reflected chiefly decreases in prices of industrial materials. Spot cotton prices, which had held at ceiling levels until July 3, dropped rapidly following the release on July 9 of the Government acreage report, which indicated a crop even larger than had been anticipated earlier. Wholesale prices of most finished goods have been maintained, although reductions have recently become more numerous reflecting reduced inventory demands and further declines in prices of some materials.

Bank Credit and the Money Supply

Business loans outstanding at banks in leading cities increased in June but declined somewhat in the first half of July. Loans for defense-supporting activities, including principally loans to metal manufacturers and public utilities, expanded further, while loans to processors of agricultural commodities were reduced further.

Deposits and currency held by businesses and individuals increased somewhat during June but showed little further change in early July. In June, the rate of use of demand deposits at banks in leading cities outside New York, on a seasonally adjusted basis, remained at the high May level.

Average interest rates charged by commercial banks on short-term business loans rose slightly further from March to June in all areas of the country.